



Presentation of PMR Expression of Interest

Country: Vietnam
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National Circumstances

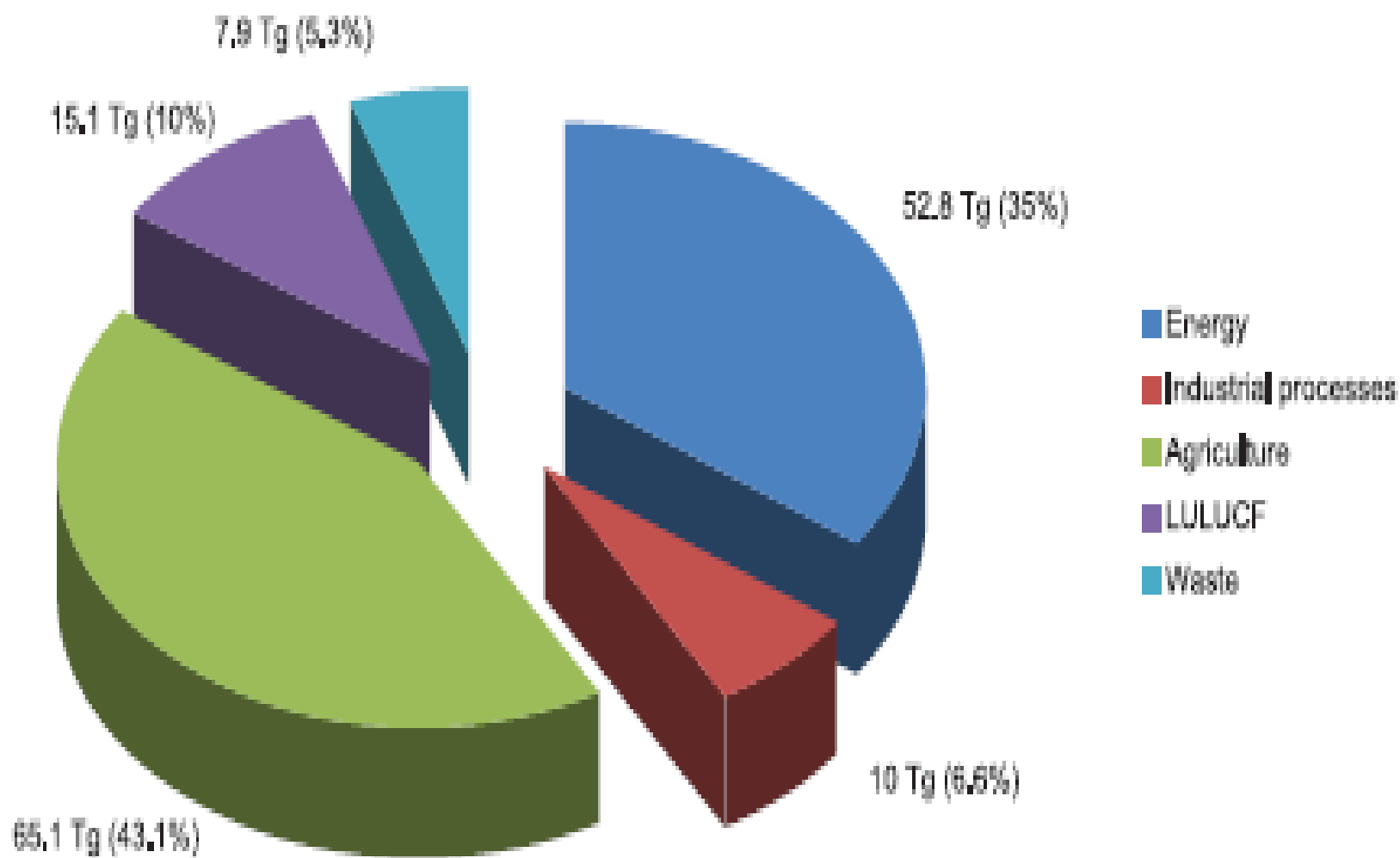


- Area: 331,051.4 km²
- Population: **86,936,464** (2008);
- Economic growth: 7.5% per annum over 2000 – 2008
- GDP per capita: 1110 USD/Capita (2010)
- GHG emissions total 169,2 million T CO₂e (2010- /year, 2,1 T CO₂e per capita and 0.52 kg CO₂ per \$1 GDP (2007)
- Energy: primary energy consumption increased 6.5% per annum from 32,235 KTOE (2000) to 50,221 KTOE (2007)
- Signed the UNFCCC (1992, ratified in 1994) and Kyoto protocol (signed 2002, ratified in 2004)

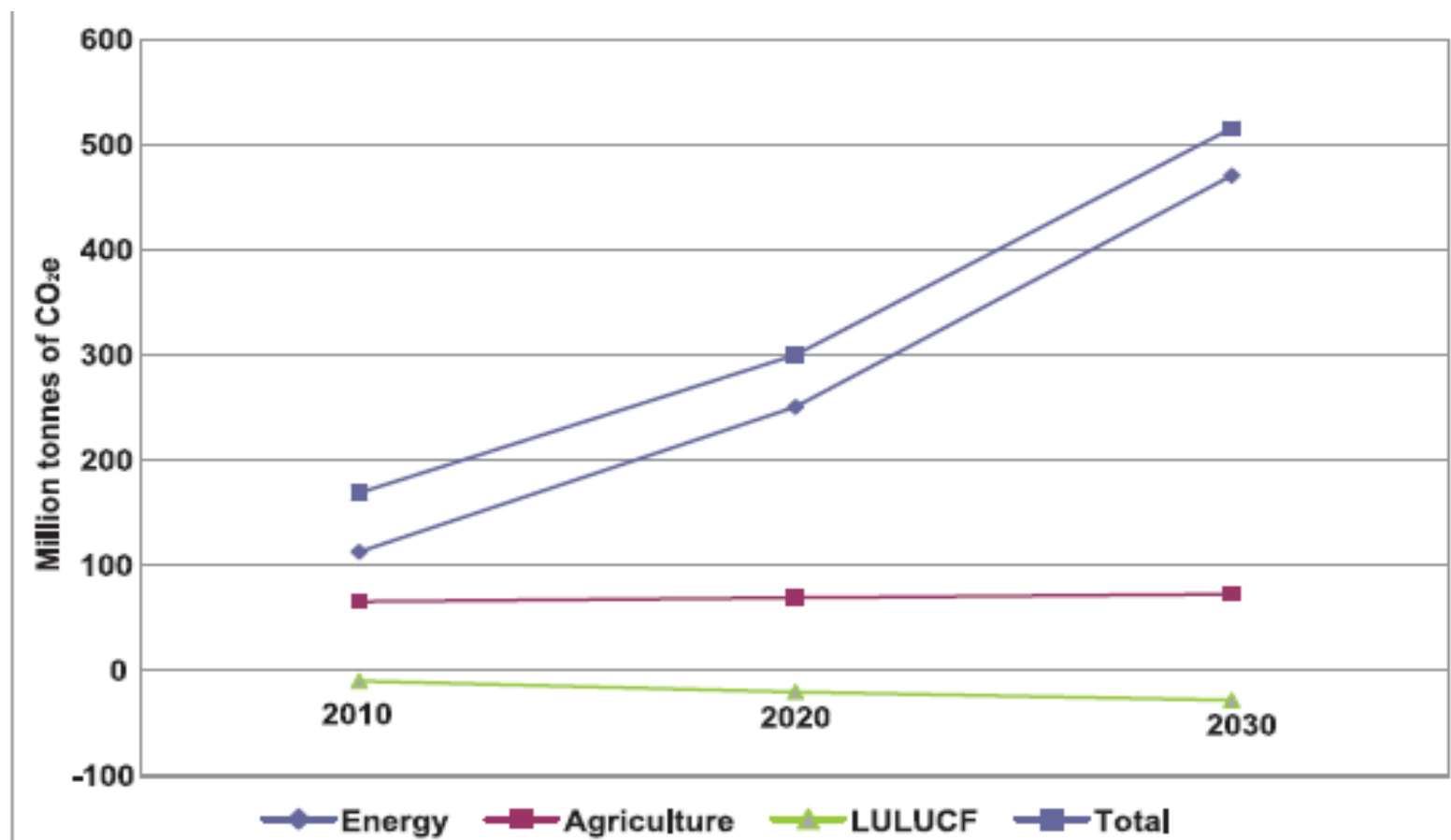
Policy Context for GHG Reduction

- ◆ GHG emissions were at a very low level in the early 90's (0.3 T CO₂e per capita in 1990 to about 2 T CO₂e in 2010) but grew rapidly afterwards due to:
 - Rapid economic growth (7.5% average) that has led to an increase in demand for energy and use of fossil fuel
 - Gradual reduction of hydropower which is replaced by coal and gas → dropping from 40% in 2005 to 10% in 2030 as total hydro power will remain stable as overall power supply is anticipated to grow.
 - Low industrial energy efficiency:
 - Steel plants: only 16% of the international energy efficiency standards, showed by UNIDO (2011) report
 - energy efficiency decreased by 23% from 1996 to 2008 (IEA)
 - Rapid shift to fossil fuel combustion engine for transport
- ◆ LULUCF and Agriculture remains important:
 - emissions from rice comprise 43% of total emissions
 - LULUCF is net carbon sink (20.1 million T CO₂e by 2010)

Overall emissions divided by sector - 2000



Projected BAU GHG Emissions by sector to 2030



Source: Viet Nam Second National Communication

Current Policy Framework

Key Policies:

- ◆ NTP-RCC/SP-RCC 2008-2015: National Target Program to Respond to Climate Change and the Support Program to Respond to Climate Change
 - Implemented through action plans by ministries and localities and coordinated by MONRE
- ◆ Regulations related to market based mechanisms:
 - CDM (GoV decision No 130/2007/QD-TTg, dated 02 Aug 2007)
 - PES is legalized (MARD Decree No. 99 on the Policy for Payment for Forest Environmental Services /2010).
- ◆ National Forest Development Strategy 2006-2020:
 - Increase forest cover to 42% of land surface
 - Improve quality of forest through reforestation/aforestation programs
- ◆ Energy efficiency law and NTP (No. 50/2010/QH12):
 - Expected energy saving from **5%** to **8%** in period 2011 - 2015 (BAU).
- ◆ VII Power master Plan (GoV decision No. 1208/QD-TTg, dated 21 Jul 2011 on approval of national electricity development planning period 2011-2030)→Priorities in renewable energy (RE) development.
 - Increase of RE to 4.5% and 6.0% in 2020 and 2030, respectively
 - Wind power share: 0.7% in 2020, and 2.4% in 2030
 - Biomass electricity: 0.6 % in 2020, and 1.1% in 2030
 - Hydro Power plants: doubling of capacity (17,400 MW) in 2020
 - Nuclear power: 10.1% in 2030
 - Decrease of energy elasticity from **1.5 in 2015** and to **1 in 2020**

Emerging new strategic policy framework

- ◆ Green Development Strategy (GDS) by Ministry of Planning and Investment (expected to be approved by June 2012):
 - Initiate Low carbon development trajectories
 - Emission reduction target (proposed): 10% reduction in 2020 from BAU, and 20% reduction from BAU if with international support
 - Greening production
 - Develop Green Business and Green existing businesses.
 - Stimulate Green lifestyles :
 - Green building/eco city development, enhancing resilience and green consumption
- ◆ Climate Change Strategy (CCS-VN) by Ministry of Nat. Resources and Environment (expected to be approved shortly):
 - Ensure food security, energy security, water security, poverty alleviation, gender equity, and social security.
 - Facilitate the transition to low carbon economy and green growth
 - Increase ownership and capacity of stakeholders to respond to CC.
 - Contribute to global community's efforts in addressing climate change.

Key Sectors Targeted by GHG Mitigation Strategy

Second National Communication shows three sectors - Energy, Agriculture and LULUCF

- ◆ Energy (192,2 million T CO₂e of emission reductions between 2000 and 2030) :
 - Amongst others, Renewable (15,000 MW/potentially)
 - Use of more efficient equipments, super critical coal fired power plants etc.
 - Energy efficiency measures planned (around 7-8% reduction in energy efficiency)
- ◆ Agriculture (56 million T CO₂e of emission reduction between 2000 and 2030):
 - Livestock: biogas, dietary supplements for dairy cattle,
 - Crops (reducing CH₄ emissions from paddy rice):
 - Measurements by Can Thu University and EDF show a decline of 30% based on Intermediate wetting and drying) and balanced fertilizations which are being explored for voluntary markets
- ◆ LULUCF(3,000 million T CO₂e of emission reduction between 2000 and 2040) :
 - Sustainable management of natural forests
 - Reforestation and afforestation
 - REDD (around 30-35 million MT CO₂e per year) (this is not consistent with diagram of slide 6?)
 - Rehabilitation of Degraded land
 - Reversing On-going deforestation
 - Peat land and Mangrove rehabilitation (around 5 MT CO₂e based on Wetland International figures)

Experience with Current Market Instruments

- ◆ CDM: establish DNA and support to develop regulations, review and improve performance in 2010, with achievements:
 - 7th largest host country of CDM projects
 - 83 registered projects
 - 26 million T CO₂e 2012 8 annually → majority share of large scale hydro (78%) and methane capturing of land fills and industrial processes(11%).
- ◆ VCS: 3 VCS projects operational
- ◆ PES (Payments for Environmental Services): successfully piloted and legalized in Viet Nam

Furthermore:

- ◆ GoV has actively promoted ISO 14002 standards for larger companies to improve their environmental management
- ◆ Viet Nam is working on introducing energy efficiency standards.

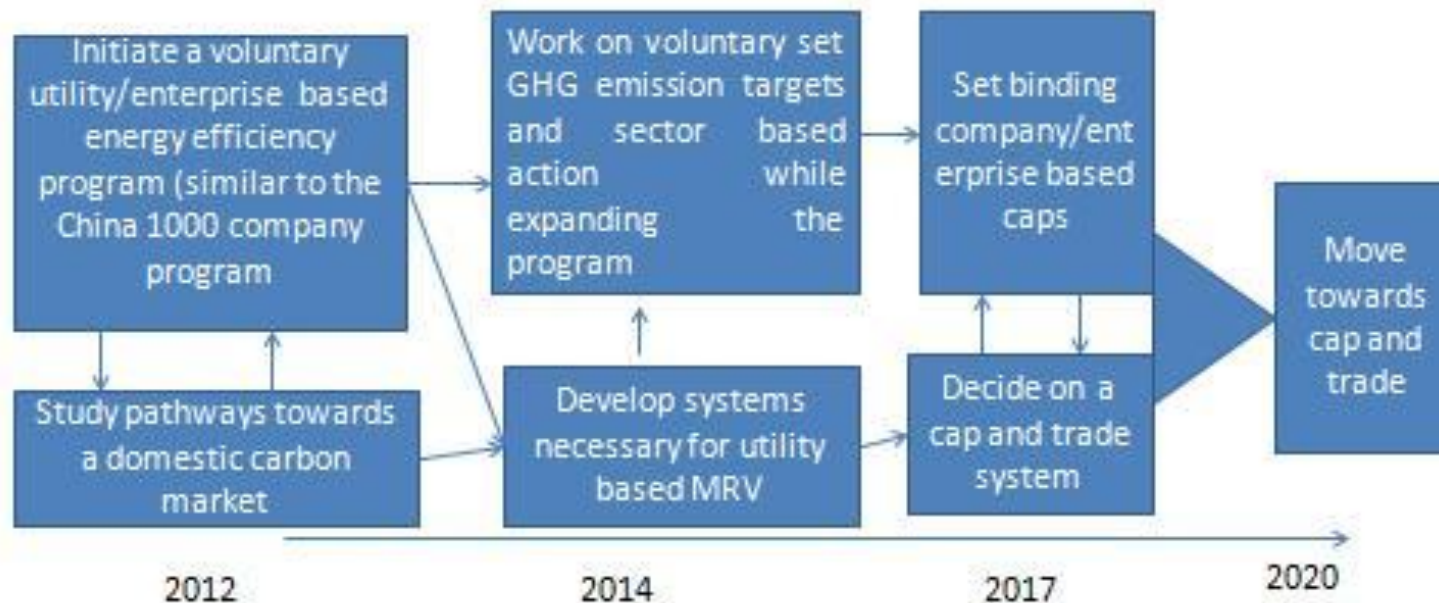
Interest in Market-Based Initiatives and Support from PMR

- Green Growth Strategy will set a voluntary reduction target and identify policy instruments, which will involve:
 - Possible sector based carbon budget to stimulate reductions evolving in cap and trade
 - Stimulate private sector investments in renewable energy and energy efficiency
 - Green Fiscal reform and Stimulating Green Consumption:
 - Carbon tax
 - Green Product standards
 - Product carbon footprints as a standard
 - Green value chains
- Market based instruments are anticipated to enable
 - the engagement of private sectors in meeting GHG reduction targets.
 - the spread of green and high technology
 - alternative finance mechanism for low carbon investments as opposed to public sector/Climate Finance related investments
 - The development of NAMA in priority sectors

Market Based Mechanism to Achieve GDS/VNCCS Targets

Moving towards cap and trade?

- Develop a domestic cap and trade systems (possible linked with international mechanism) by 2020



Other Relevant Initiatives and Partners

- ◆ UNDP:
 - CBCC-MONRE/MARD (capacity building for mitigation actions),
 - SD and CP (MPI) –(climate change in the planning system),
 - UN REDD and support for provincial (3)/sectoral (3) NAMA development.
- ◆ World Bank: Low Carbon Growth Study; SP-RCC / Climate Change DPO; MAIN, Climate Finance Task Force and Platform, Financial Mechanism for SPRCC Funding, GEF on Energy Efficiency, Carbon Finance Program, Low Carbon Transport Studies and Investment Program planned for Danang and HCMC; Power Sector Programmatic DPO, MAIN-Asia Capacity Building (Mitigation Activities Implementation Network in Asia)
- ◆ ABD: several projects focusing on Carbon Capturing and Storage, municipal and sectoral NAMAs development (as part of NTP-RCC actions plans), HCMH-Metro rail system.
- ◆ CTF (Clean Technology Fund): Viet Nam has received a 250 mil. USD soft loan, targeting to improve energy efficiency and reduce GHG emission in power and transport sector.
- ◆ SP-RCC (Support Program to Respond to Climate Change): Climate Change Development Policy Operation which consists of:
 - budget support component, for period 2009: 145 m USD, 2010: 220 m USD, by: JICA, AFD, WB and CIDA and
 - a policy dialogue between donors and the governments based on a policy matrix (51 Policy Action out of which the World Bank supports Energy efficiency, Water Resources Management, and cross-cutting issues)
 - TA support to implement policy actions
- ◆ JICA: Facilitates the establishment of a GHG emission inventory system, support for NAMA development and various other capacity building activities.
- ◆ Norway: support REDD/REDD+ through UN-REDD
- ◆ USAID: Low Carbon study and assessment for agricultural and LULUCF and REDD.

Next Step: Organization of work and estimated timeline

In the preparation phase of the proposal, the following activities will be implemented:

- Activity 1: Study market based mechanism in annex 1 countries and *PMR* member countries to understand their effectiveness in the VN context (planned by February 2012)
- Activity 2: identify and assess different carbon market mechanisms and identify feasible and appropriate market mechanisms suited for Viet Nam for further consideration which will inform the organizing framework (by June 2012)
- Activity 3: Organize consultation workshops to engage relevant stakeholders and government agencies to determine appropriated carbon market schemes for achieving the objectives and goals of VNCCS and GDS strategic directions. (by September/October 2012)
- Activity 4: Develop the PMR Project Proposal of Viet Nam for *submission to PMR Assembly approval through* consultations with all stakeholders (by December 2012)
- Activity 5: Finalize and approve the PMR Project Proposal and translate the proposal into English for submission to PMR Assembly (December 2012)

Conclusions – Summary of market readiness priority areas for PMR support

The key priority areas for PMR support are:

- ◆ To enable Viet Nam to effectively participate in existing and new initiatives to be decided by UNFCCC/KP agreements, which may include:
 - To enhance capacity for implementation of the CDM and National Appropriate Mitigation Action (NAMA) or bilateral offset mechanisms.
 - To ensure Vietnamese organizations/firms to have access to green climate fund
 - To study possible NAMAs in the key sectors -energy, industry and agricultural sector - to achieve voluntary emission cuts set in the GDS
- ◆ To assess, study and pilot domestic market based instruments to meet GHG reduction targets in a cost effective manner and achieve sustainable development and green growth in Viet Nam:
 - Establish a functioning GHG emission MRV system.
 - Develop market based mechanism to meet domestic policy goals:
 - Review the current practice of cap and trade mechanism in other countries
 - Identify key design elements in establishing the cap and trade mechanism considering the technical, institutional and economic capacity of the country
 - Assess the possibility on introduction of carbon tax

PMR Focal Point & Institutional Partners

Domestic Partners:

- MONRE-Technical agencies such as DMHCC, IMHEN and ISPONRE
- MOIT (Ministry of Industry and Trade, involves as well power generation, industry (Steel and Cement))
- MARD (Ministry of Agriculture and Rural Development)
- MoC (Ministry of Construction)
- MPI (CIEM(Central Institute for Economic Management), FERD, DSI and GEI)
- Ha Noi/Ho Chi Minh/Da Nang People Committee (PC)

Contact Information for PMR Focal Point

PMR focal point:

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Delivery Partners

The Government of Viet Nam proposes co-implementation:

1. ADB as the Principal Delivery Partner, and
2. WB as the Secondary Delivery Partner

Government of Viet Nam, ADB and WB have agreed with this arrangement based on the facts that:

- ADB has a strong carbon market expert team in the Asia-Pacific Region, a series of climate change projects to support Viet Nam, and strong interest in supporting Viet Nam to implement PMR activities, and
- WB has an excellent team to manage PMR project, has strong interest in supporting Viet Nam PMR activities.
- Large Vietnam climate change program as well as strong global knowledge on PMR, climate finance and carbon markets being involved in many other countries in the World with these products;